

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 19554
[REDACTED],)	
)	DECISION
Petitioners.)	
_____)	

On July 21, 2006, the staff of the Tax Discovery Bureau of the Idaho State Tax Commission issued a Notice of Deficiency Determination to [Redacted] (taxpayers) proposing additional income tax, penalty, and interest for the taxable year 2002 in the total amount of \$217.

On July 31, 2006, the taxpayers filed a timely appeal and petition for redetermination. The taxpayers did not respond to the Tax Commission's hearing rights letter and have provided nothing further for the Tax Commission to consider. The Tax Commission, having reviewed the file, hereby issues its decision.

[Redacted]. The Bureau reviewed the change and found that the taxpayers' federal adjusted gross income was increased for that year. The Bureau determined that a portion of the increase in income should have been reported on the taxpayers' Idaho income tax return. The Bureau corrected the taxpayers' Idaho return and sent them a Notice of Deficiency Determination.

The taxpayers protested the Bureau's determination. The taxpayers stated the income attributed to them was the result of a family member making unauthorized charges on several unused credit cards of the taxpayers. The taxpayers stated the charges were in excess of \$50,000 and that they were fully unaware of the charges until collection agencies and attorneys began calling on them. The taxpayers stated they reached a settlement with the credit card companies and the IRS agreed to forgive the tax. The taxpayers asked that the Tax Commission consider

waiving the Idaho tax as they received absolutely no benefit, goods, or services from the charges to their credit cards or the settlements made with the card companies.

The Bureau referred the matter for administrative review. The Tax Commission reviewed the taxpayers' case and sent them a letter that gave them two options for having the Notice of Deficiency Determination redetermined. The taxpayers did not respond. The Tax Commission sent the taxpayers a follow-up letter, but still the taxpayers failed to respond. Therefore, the Tax Commission decided the matter based upon the information available.

The Bureau adjusted the taxpayers' Idaho taxable income to include income realized from the discharge of indebtedness. Generally, when a debt is discharged, the individual is deemed to have received income because he no longer has to pay the debt for which he received some benefit in goods or services. See Internal Revenue Code section 61(a)(12). The taxpayers stated they received no benefit from the charges made; therefore, they did not feel it was right that they should be attributed additional income.

The taxpayers stated the IRS discharged them of the tax for federal purposes. However, the information the Bureau received [Redacted] showed that [Redacted] assessed the taxpayers additional tax and collected that tax from the taxpayers. The taxpayers have not provided anything to show that the IRS refunded their tax payment. Additionally, although it is unknown how much of the credit card debt was discharged, the additional tax assessed by the IRS was on an amount far less than the amount the taxpayers stated were unauthorized charges. Based on the taxpayers' statements and the information [Redacted], the Tax Commission believes a plausible explanation of the additional tax paid at the federal level is that the IRS discharged the tax owed on the discharged credit card debt and attributed the discharged tax as income to the taxpayers.

Regardless, the taxpayers were assessed additional tax on additional income by the IRS. Idaho Code section 63-3002 states that Idaho taxable income is to be identical to federal taxable income subject to certain modifications contained in Idaho law. Since the taxpayers' federal taxable income was increased, a similar increase must be made to the taxpayers' Idaho taxable income. Therefore, the Tax Commission upholds the adjustment to the taxpayers' 2002 Idaho income tax return.

The Bureau added interest and penalty to the taxpayers' Idaho tax deficiency. The Tax Commission reviewed those additions and found them appropriate and in accordance with Idaho Code sections 63-3045 and 63-3046.

WHEREFORE, the Notice of Deficiency Determination dated July 21, 2006, is hereby APPROVED, AFFIRMED, and MADE FINAL.

IT IS ORDERED and THIS DOES ORDER that the taxpayers pay the following tax, penalty, and interest:

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2002	\$173	\$ 10	\$ 52	\$235

Interest is computed to March 31, 2008.

DEMAND for immediate payment of the foregoing amount is hereby made and given.

An explanation of the taxpayer's right to appeal this decision is enclosed with this decision.

DATED this _____ day of _____, 2008.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____, 2008, a copy of the within and foregoing DECISION was served by sending the same by United States mail, postage prepaid, in an envelope addressed to:

[REDACTED]

Receipt No.
